



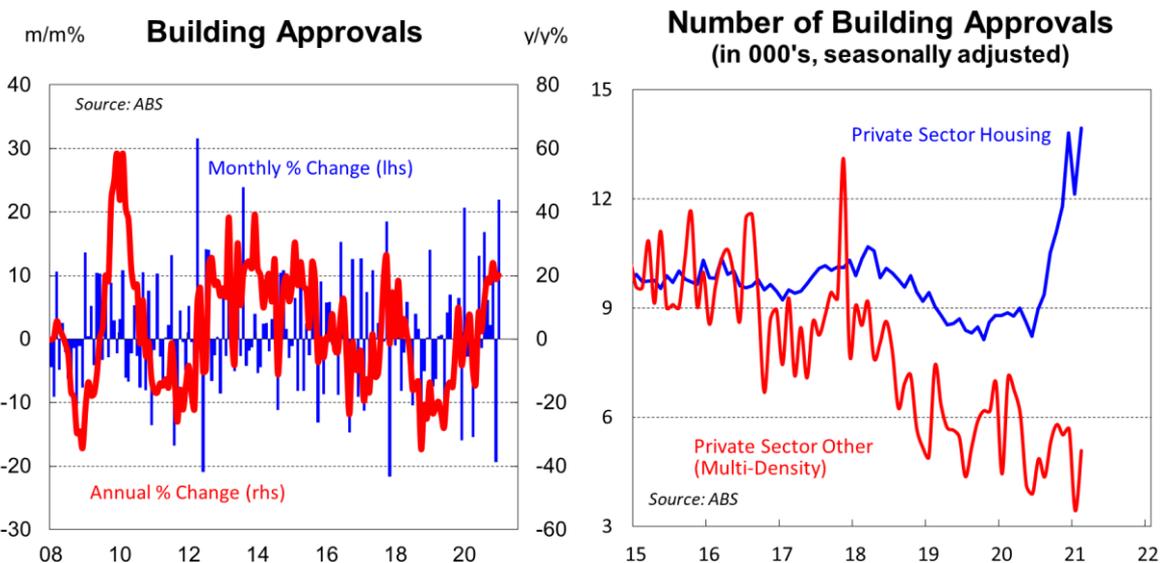
Wednesday, 31 March 2021



Building Approvals

Private House Approvals Hit New Record

- Building approvals bounced up 22.0% in February, following a 19.4% decline in January. This marks the highest monthly growth in approvals since 2013. HomeBuilder has driven volatility in the data over recent months.
- Approvals are now up 20.2% over the year, well above their pre-COVID level.
- We have continued to see remarkable strength in private sector housing approvals, which increased 15.0% in February to reach a new record high. Over the year, private sector housing approvals are up an extraordinary 57.1%. The bumper growth has been driven by a combination of record low interest rates, government support and the shift towards houses and away from apartments.
- The increase in residential approvals in the month was broad-based across states, with growth the strongest in Queensland (34.5%) and Tasmania (31.6%). The outperformance of states other than NSW and Victoria has been a key theme since mid-2020.
- Over the year, WA is a clear standout. Approvals are up 148.7% on the west coast in the past 12 months, well above all other states.
- We expect ongoing strong growth in building approvals over the remainder of the year, supported by historically low interest rates and the strengthening economic recovery. However, there could be some temporary weakness in approvals in the coming months as a number of support measures are unwound.



Building approvals bounced up 22.0% in February, following a 19.4% decline in January. This marks the highest monthly growth in approvals since 2013. HomeBuilder has driven volatility in the data over recent months. There was a rush to meet the 31 December deadline to qualify for the \$25,000 grant. The scheme was subsequently extended, and concludes today, with the grant trimmed to \$15,000.

Approvals are now up 20.2% over the year, well above their pre-COVID level, although still considerably lower than their levels during 2016 and 2017. Today's numbers points to ongoing construction work in 2021 which will support employment growth and government tax revenues.

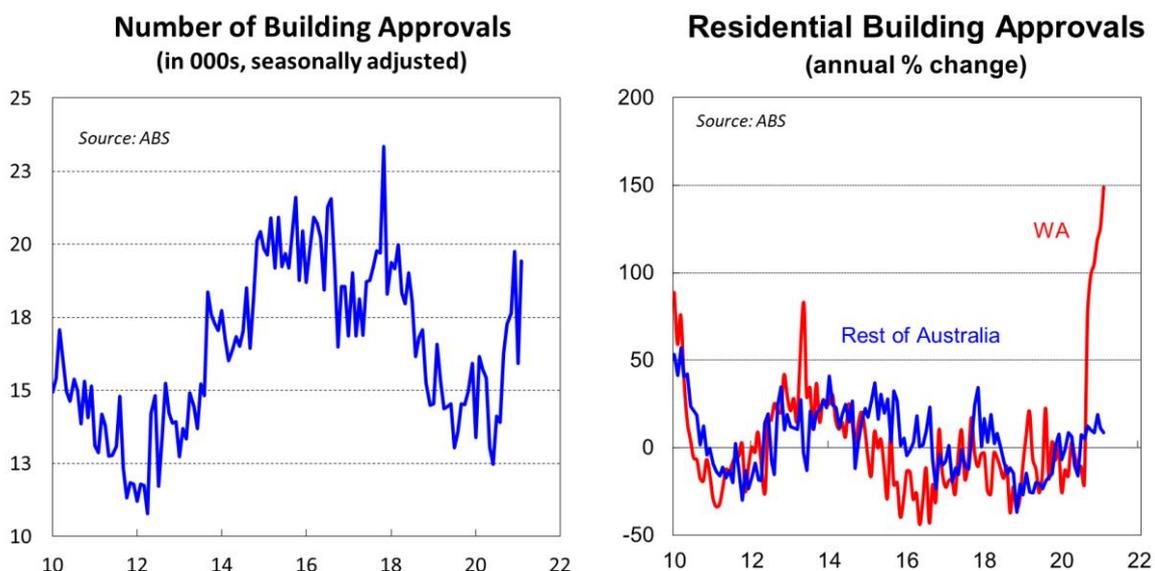
We have continued to see remarkable strength in private sector house approvals, which increased 15.0% in February to reach a new record high. Over the year, private sector housing approvals are up an extraordinary 57.1%. The bumper growth has been driven by a combination of record low interest rates, government support and the shift towards houses and away from apartments.

Approvals for multi-density dwellings (ie. apartments and townhouses) rebounded from lows in January to increase 48% in the month. Approvals in this category are volatile month to month. Over the year, approvals for multi-density dwellings are still down 28.5%. A considerable share of the weakness in this category has been driven by a slowdown in approvals for high rise apartments.

Non-residential approvals increased by 33.3% more than offsetting a 19.5% decline in January.

States

The increase in residential approvals in the month was broad-based across states, with growth the strongest in Queensland (34.5%) and Tasmania (31.6%). The outperformance of states other than NSW and Victoria has been a key theme since mid-2020. NSW (16.8%), Victoria (22.2%) and WA (19.0%) also had solid growth in the month. Approvals in South Australia edged up 5.9%.



Over the year, WA is a clear standout. Approvals are up 148.7% on the west coast in the past 12 months, well above all other states. Annual growth is second highest in Tasmania at 61.3%.

There are a range of factors underpinning the surge in approvals in WA. Firstly, it comes off a low-base. The residential property market in WA has been anaemic for a number of years following the mining boom. There was also a stronger uptake of HomeBuilder in WA than some of the larger states since a larger proportion of dwellings in WA meet the price cap and commencement

guidelines. The WA property market was also boosted by a housing stimulus package from the state government, announced in mid-2020, worth an estimated \$444 million.

Outlook

We expect ongoing strong growth in building approvals over the remainder of the year, supported by historically low interest rates and the strengthening economic recovery. The upswing in property market could gain even more momentum when international borders reopen. However, there could be some temporary weakness in approvals in the coming months as a number of support measures are unwound: JobKeeper, HomeBuilder and mortgage repayment deferrals all conclude today.

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The Detail

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